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Eastern Europe Seen As Promising Market For U.S. Oilseeds

By John J. Reddington

To realize the potential of East European markets for soybeans and products, a two-phase U.S. cooperator program is in effect through 1985. This plan is aimed at boosting U.S. exports of soybeans and soybean products to this part of the world.

The seven countries that make up Eastern Europe —Bulgaria, Czechoslovakia, the German Democratic Republic (GDR), Hungary, Poland, Romania, and Yugoslavia—are promising growth markets for soybeans and products. Despite apparent internal efforts to achieve self-sufficiency in oilseeds, imports of soybeans and meal for feed production have gained momentum.

Indicators point to continued growth in both demand and production: witness East Europe's 1976 oilseed production of 4.1 million metric tons—24 percent greater than that of 1975.

Typical of the situation in many developing countries, Eastern Europe is experiencing growth requirements for more and better protein foods. Rising per capita incomes have boosted demand for quality foods, including vegetable oils. Vegetable oil consumption in most East European countries has increased significantly, with the supply partially satisfied by imports and partly by increased oilseed crushes.

The two major oilseed crops in Eastern Europe are sunflowerseed and rapeseed. Rapeseed (the dominant oilseed crop in the northern countries of the GDR, Czechoslovakia, and Poland) in 1976 was 1.4 million tons—an 18-percent increase over the 1975 crop. Sunflowerseed production (the major oilseed produced in the southern countries of Bulgaria, Hungary, Romania, and Yugoslavia) also gained in 1976—up 5 percent to 1.6 million tons, compared with that of 1975.

Eastern Europe's long-term oilseed production outlook to 1985 is for some gain in total output, but not enough to keep up with total consumption. This means that domestic production of rapeseed and sunflowerseed will not seriously retard Eastern Europe's demand for soybean and soybean meal imports.

Eastern Europe's imports of soybeans and soybean meal rose dramatically between 1971 and 1976, from 1.59 million tons to 3.43 million (soybean meal equivalent)—a gain of 60 percent. Most of these imports are of meal, although soybean purchases have risen as well, in response to expanded crushing capacity.

Imports of vegetable oil by Eastern Europe during this same period declined 36 percent, reflecting increased Polish vegetable oil production, resulting in lower imports and greater oil exports.

Owing to various quality problems with U.S. meal and more favorable Brazilian meal prices, the U.S. share of soybean meal imports by Eastern Europe has declined in recent years. The U.S. share of the soybean meal market in 1973 was 41 percent; by 1976, it had slipped to 35 percent.

Looking at long-range import needs, both the GDR and Czechoslovakia will need to import protein feeds to ensure livestock industries can meet domestic demand for meat. Poland will require imported feed ingredients to sustain its export-oriented livestock industry.

Overall, the northern countries are expected to be importers of protein feeds for an indefinite period. The southern countries have expanded livestock production faster than that of crops; many of these countries will not be able to increase domestic production of oilseed meal to meet their anticipated requirements. The one exception—Romania—has the capability to become self-sufficient in protein meal production, but whether this potential actually will be re-

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alized is probably debatable.

East European imports and consumption of fats and oils are influenced by several factors, such as domestic availability of oilseed crops, the traditional preference for animal fats, and the recent trend toward greater vegetable oil consumption that is the result of changing tastes and increasing personal incomes.

East European soybean production is generally low owing to unsuitable growing conditions. As a result, most of these countries are unfamiliar with soybean oil processing. Imports of oilseeds and vegetable oil have been necessary to satisfy increasing demand, as production of sunflowerseed, rapeseed, and a few lesser oilseeds is generally far from adequate for domestic needs.

With crushing capacities scheduled to expand in Romania and Yugoslavia during 1978 and in Bulgaria in 1979, a new surge of soybean imports likely will occur, since domestic oilseed production will leave the crushing capacity underutilized. The increase in crush of imported soybeans will increase the volume of available soybean oil.

Margarine use is on the rise in Eastern Europe. In 1960, per capita consumption of this item was 15.9 kilograms; by 1975, this consumption had risen to 23.4 kilograms. Because of this trend in margarine usage, Eastern Europe is seen as a growing market for U.S. soybean oil.

To realize the potential of soybean and soybean-product markets, a two-phase U.S. cooperator program will be in effect through 1985 for the East European countries mentioned in this article.

The preliminary objective will be promotion of U.S. soybean meal in livestock feeding rations.

This first phase will involve distribution of technical information, seminars geared toward feed manufacturers and livestock producers, and feeding trials to provide tangible evidence of the nutritional and economic value of soybean meal use.

The second phase of the program will be initiated when soybean crushing plants in the various countries come into operation. Here the objective will be to ensure production of quality soybean meal and soybean oil through technical assistance to plant managers.

The assistance will include visits of U.S. soybean meal and soybean oil production specialists to East European countries, distribution of technical information, production seminars, and visits by East Europeans to the United States to view soybean processing facilities and production techniques.

In addition, activities will be implemented to encourage consumer use of East Europe's domestically produced soybean oil as a salad and cooking oil.

Bulgaria. In recent years, Bulgaria has been an importer, primarily of soybean meal, and small quantities of peanut and sunflowerseed meals.

Soybean meal imports have increased significantly in response to an expanding domestic livestock industry. Although the United States supplied 10,687 tons in 1976, Brazil has the major share of this market, reportedly because of better terms of sale. Brazil has even extended lines of credit for purchase of its soybean meal. U.S. soybean meal must also compete with domestically produced sunflowerseed meal.

Although Bulgaria's soybean production currently is roughly 100,000 tons, the country has ambitious plans to increase this output in the next 5 years.

Although there are indications that soybean processing plants will be constructed, it is unlikely that domestic production will fulfill Bulgaria's needs. Imports probably will change from soybean meal to soybeans to ensure optimum use of Bulgaria's soybean processing facilities.

Although the Bulgarians traditionally use sunflowerseed oil, the increase in soybean processing probably will result in a supply of soybean oil that will need to find a place in the domestic or export market.

Czechoslovakia. In recent years, Czechoslovakia has increased its imports of soybean meal and products substantially. The United States —the principal supplier— accounted for 90 percent of the soybean meal imports in 1975 (117,342 tons) and 72 percent in 1976 (178,808 tons). Traditionally, Czechoslovakia imports more soybean meal than soybeans for use as a basic ingredient in livestock feeding rations.

Domestic production of oilseeds includes rapeseed and insignificant quantities of sunflowerseed and linseed, with meal used in feeding rations and the oil used as salad and cooking oil. Production of these oilseeds could limit the U.S. market share, particularly in view of Czechoslovakia's emphasis on research to develop maximum use of domestically produced oilseeds and its goal of agricultural self-sufficiency.

However, the U.S. share of the oilseed market improved steadily between 1973 (29 percent) and 1976 (over 50 percent). Imports from Brazil are yet a factor.

With Czechoslovakia's meat consumption the highest in Eastern Europe, use of soybean meal has increased steadily. Indications are that meat consumption will continue to grow, requiring even more protein meals.

U.S. marketing efforts will concentrate on increasing the use of soybean meal in mixed feed rations and upgrading the oilseed crushing facilities to provide quality soybean oil and meal.

U.S. animal nutritionists will visit livestock producers, and U.S. oil technicians will visit oilseed crushing plants. Recommendations will be made through personal observations on the technical aspects of production and use of soybean products.

The Czechoslovaks recognize the benefits of using soybean meal to improve livestock feeding efficiency. Their goal of self-sufficiency in agriculture will not preclude imports of soybean meal. However, price will be a primary consideration, and U.S. meal will sell in the Czechoslovak market only if its price is competitive with Brazilian soybean meal.

German Democratic Republic. The GDR imported about 800,000 tons of oilseed meal in 1975, with soybean meal accounting for over 90 percent of total meal imports. Although soybean meal imports have been rising steadily, soybean and soybean oil imports have fluctuated substantially.

Statistics are unavailable on the U.S. market share; however, large quantities of U.S. supplies are shipped through West Germany and lesser amounts through the Netherlands. Development and expansion prospects in the vegetable oil area through 1985 are limited.

Rapeseed and small quantities of sunflowerseed and linseed meals—all domestically produced—as well as other oilseed and fishmeal imports represent potential competition for U.S. soybeans and product exports to the GDR. Fishmeal report-

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edly is used widely in livestock feeding rations.

Livestock production in the GDR should continue to expand, raising demand for protein meals. This provides excellent market potential for U.S. soybean meal, particularly if the East Germans can be encouraged to reduce fishmeal usage and expand that of soybean meal.

Soybean meal consumption has grown significantly in the past 11 years—from 150,000 tons in 1965 to 730,000 tons in 1976.

Hungary. While Hungary's imports of soybeans and soybean oil are minimal, soybean meal imports in recent years have been substantial. At one time, the United States was the major exporter of soybean meal to Hungary, but lower Brazilian soybean meal prices have cut into the U.S. market share significantly.

Hungary's domestic oilseed crops are sunflowerseed, soybeans, and rapeseed. But given the economics of yield factors and world price relationship between corn and soybeans, indications are that Hungary will not expand soybean area at the expense of corn or sunflowerseed area. Hungary may even suspend plans to increase soybean output to concentrate on expanding that of corn.

High-protein feeds have been in short supply, with the result that Hungary has to import significant quantities. The current emphasis on increasing and intensifying livestock production will continue to increase net deficits in high-protein feed ingredients.

Of the mixed feed produced domestically, 35 percent is used by the poultry industry, 50 percent by the swine industry, and the balance by the cattle sector. Nearly all feed formulations contain soybean meal and about 5 percent fishmeal. Indications are that soybean meal usage has not peaked yet, although neither is there any sign that commitment to soybean meal is such that it cannot be replaced by other meals.

Hungary depends on the West for about 80 percent of its protein-meal requirements, and—with the emphasis on expansion of the livestock industry—further increases are expected over the next few years.

Hungary currently is using large quantities of sunflowerseed oil and it is assumed that it will not import any sizable amounts of soybean oil in the near future. At present, soybean oil is used essentially in oil blends and is virtually unknown to consumers as an identifiable oil. If plans for increased soybean crushing facilities are carried out, however, the Hungarians will be faced with the problem of processing the oil into a high-quality product.

In addition to oil and meal, the Hungarians are interested in the use of soy protein products in various foods and information on the application of soy protein to the Hungarian's daily diet.

Poland. Among the East European countries, Poland ranks as the top importer of soybeans. Although oilseed crushers in Poland prefer to crush soybeans rather than domestic rapeseed, large quantities of soybeans are imported only when the domestic rapeseed crop fails.

In 1976, Poland's rapeseed crop was good and soybean imports fell from 106,435 tons in 1975 to 56,000 tons in 1976. In 1977, however, rapeseed output declined.

Crushing facilities in Poland are currently inadequate to supply domestic feed requirements for soybean meal. Consequently, in addition to importing some soybeans, Poland is a rather large importer of soybean meal from the United States and Brazil. The U.S. share of the Polish market in 1976 was 69 percent—391,599 tons—of the 567,000 tons imported. This was quite a jump from the 37 percent market share held in 1975.

Improved domestic supplies of rapeseed and expanded crushing capacities have resulted in a drop in Polish vegetable oil imports. Consumption of vegetable oil is growing slightly, although there is not much preference on the part of Polish consumers for any specific vegetable oil.

Because of the limited availability and high price of meat products, the Polish meat industry is committed to the use of edible soy protein in local food products. Soy protein—as well as other vegetable proteins—is becoming a priority item; within the next few years, consumption of soy protein is expected to grow considerably. Already it has jumped from negligible amounts to around 12,000 tons in calendar 1976.

Increased demand for livestock products is expected to continue in Poland. Along with this, the Government of Poland is planning to modernize its mixed feed industry by putting 15 new feed plants into operation, thus increasing total mixed feed output by about 10 percent.

The Polish Government plans to create a buffer against any future shortage of protein meal by upping domestic production and using domestic animal protein feed. Additional competition for U.S. soybeans are fishmeal and groundnuts.

One obstacle to increased use of soybeans and soybean meal in Poland is the large segment of the livestock industry—specifically that operated by the private

farmer—that still does not used mixed feed containing soybean meal. Only after major exposure to feeding trials at large State farms can private farmers be convinced of the advantages of using mixed feed.

Major long-term market development efforts in Poland will be directed toward promoting increased mixed feed consumption for cattle, swine, and poultry by encouraging optimum use of soybean meal.

The quality of soybean meal and oil being produced by local crushers needs improvement because of lack of experience with the products and improper processing. To improve this situation, periodic visits will be arranged for U.S. oil technicians.

Soy protein seminars and related activities will be continued to maintain and expand product use.

Romania. Accounting for some two-thirds of total oilseed production, sunflowerseed is the primary Romanian oilseed crop and an important hard currency earner. (Production in 1976 totaled 800,000 tons.)

Trade statistics for Romania are sketchy, but U.S. export statistics show U.S. shipments of soybeans and soybean meal increasing sharply from 1975 to 1976, when soybean meal shipments were over 98,000 tons and soybeans a record 220,000 tons. These high levels are most likely the result of a shortage in the domestic supply of soybeans and sunflowerseed during 1976.

Although U.S. exports of soybeans and soybean meal are not expected to continue at the high level of 1976, when Romania's domestic supplies were low, it is anticipated that Romania will steadily increase imports of these two items over levels of 1975.

Soybean meal has strong potential as a feed ingredient for swine and poultry rations, and may replace fishmeal usage. As its livestock industry expands, Romania is placing emphasis on use of mixed feeds by modern production units. However, in spite of rapid advances in feed formulation and livestock management, Romania is still behind Western Europe in soybean use.

Romania plans to increase domestic soybean production, but is expected to continue to rely on foreign soybean imports.

Yugoslavia. Although Yugoslavia has begun to produce soybeans, its plans are not very ambitious. Soybean area during 1976 was only 32,000 hectares, yielding 48,000 tons of soybeans, and there were widespread reports of dissatisfaction with using good corn land for soybeans.

Except during 1970 and 1974, when some beans were purchased, Yugoslavia has imported only crude soy oil and soybean meal from the United States. Traditionally, Yugoslavia buys the finished soybean products rather than whole beans.

The feed mixing industry prepares over 4 million tons of feed annually, using all the soybean meal it purchases. Even more soybean meal could be used if the hard currency were available.

A new soybean crushing plant has been operating in the port of Zadar since January 1977. This plant is a joint venture between an Italian company and about 20 Yugoslav companies. Some time in 1978, this plant's annual production capacity will be roughly 360,000 tons of soybean meal, 60,000 tons of crude soy oil, and 2,000 tons of lecithin.

Other soybean crushing plants are planned at Vakovar and Becej, each with an annual crushing capacity of about 150,000 tons.

During 1972 to 1976, Yugoslavia's imports of soybean meal have grown from 128,000 tons to 218,000 tons. In 1972, the United States supplied 84 percent of the imports, but by 1976 the share had slipped to 79 percent, as Brazil moved in on this market.

Yugoslavia is considered a favorable market for increased use of soybean meal as a protein supplement in mixed feeds for poultry, swine, and cattle; it is accepted as an essential ingredient in the formulas of the mixed feed industry. Demand for protein feed exceeds domestic production.

According to recent studies, Yugoslavia's future grain consumption growth rate will be lower, resulting in an increased rate of substitution of oil meals for grains in livestock feeds. The livestock industry will continue to expand, but hardly keep pace with the growing demand for domestic consumption and exports. This demand will increase not only as a result of a larger population, but also owing to higher per capita income.

Total Yugoslav salad and cooking oil production in 1976 was 942,000 tons—about the same as a year earlier. However, soybean oil has not had a traditionally big market in Yugoslavia, as the population uses primarily sunflowerseed oil. During 1976, Yugoslavia imported 89,800 tons of unrefined soybean oil. Brazil was the main supplier, while the United States supplied only 18,800 tons.

Currently, Yugoslavia is using only limited quantities (several hundred tons) of edible soy protein. The outlook, however, is somewhat more promising, as the new processing plant at Becej will produce only soy protein for human consumption. □

The goals of the U.S. cooperator program will be promotion of U.S. soybean meal in livestock feeding rations and ensuring production of quality soybean meal and oil.

India Expands Tobacco Area and Production

India's tobacco growers, encouraged by good prices for their 1976/77 crop of 407,000 metric tons—including about 100,000 tons of flue-cured Virginia (FCV)—are planning to expand 1977/78 planted area to 440,000-460,000 hectares, up from 420,000 hectares in 1976/77 and 370,000 hectares in 1975/76.

The estimated 145,000 hectares planted to FCV for 1976/77 is expected to be expanded to 160,000 hectares for 1977/78. Some replanting was necessary because of November's storm damage. Assuming normal weather up to harvesttime (January/February), 1977/78 FCV production could total 125,000-135,000 tons.

The 1976/77 crop in Karnataka State—already harvested—is estimated at about 9,000 tons, compared with about 5,000 tons in each of the 2 previous years. In Karnataka, FCV tobacco is planted during May and harvested during September.

Prices received by growers for FCV and most other types of unmanufactured tobacco during 1977 were generally 5-15 percent above the levels of the previous year.

The Tobacco Board early in 1977 set a minimum indicative grower price of $1,093 per ton for the IV farmgrade 1977 FCV crop, about 12 percent above the average price of the comparable grade in 1976.

The Indian Leaf Tobacco Development Division of the Indian Tobacco Company—a leading tobacco company—paid an average price of $1,302 per ton for its own C-IV grade of the 1977 crop, compared with $1,217 in 1976.

Higher grower prices followed largely from the Government's decision to set the minimum export prices of the 1977 crop at levels that for medium and superior grades of FCV were 5-14 percent above the minimum export prices of the 1976 crop.

The established minimum export prices of the 1977 crop range from 36 to 64 U.S. cents per kilogram for the lowest grade of FCV tobacco to $1.74-$2.57 for the top grade.

India's tobacco development programs concentrate on FCV types because of their importance in export earnings. The main focus is on expanding the cultivation of exportable types of FCV tobacco in the light-soil areas of Andhra Pradesh, Karnataka, Tamil Nadu, and Gujarat.

A centrally sponsored program was initiated in 1966/67 and by 1976/77 about 57,000 hectares of light-soil areas of those states had been brought under FCV cultivation. The target is to expand this area by an additional 8,000 hectares in 1977/78.

About 70 percent of the production of new light-soil areas is exported. FCV tobacco grown in the light-soil areas of Karnataka is claimed by the Indian tobacco

Morocco Hikes Meat and Cattle Imports

Morocco's imports of meat and live animals rose sharply in 1977 to meet growing consumer demand for meat that could not be filled by the country's livestock industry, plagued by drought, disease, and poor nutrition levels.

Morocco's livestock season was generally bad last year and a 6-month drought, beginning in March, forced the Government to distribute grain and straw to help the animals survive until the rains returned.

The combination of a large proportion of older females, abortions, and diseases related to poor nutrition led to a low fertility rate that drove cattle and sheep numbers below the 1975 level of 3.7 million head of cattle and 16.8 million head of sheep.

The drop in sheep population continues a downtrend from 16.7 million head in 1971 to slightly over 14 million last year. A major factor in this decline was the string of dry years in 1973, 1974, 1975, and 1977 that led to deterioration of open-range pastures. As well, strong domestic demand spurred the slaughter of younger animals causing the average carcass weight for sheep to fall from 12 kilograms in 1965 to 10.6 kilograms in 1975.

In some regions, cattle were slaughtered to stop the spread of foot-and-mouth disease and tuberculosis.

As compensation for losses from mandatory slaughter during the foot-and-mouth disease outbreak in the spring of 1977, Moroccan farmers were paid as much as US$337.50 for a purebred cow and as low as $168.75 per head for local cattle. Probably more than 1,600 head of cattle were slaughtered under this program.

Besides routine vaccinations by the Ministry of Agriculture's veterinary field teams and distribution of vermifuges (medicine to expel or destroy intestinal worms in livestock), vaccination against foot-and-mouth disease is now compulsory. Still, only about 70 percent of the cattle are believed to be vaccinated because some farmers, fearing they would not get slaughter compensation for infected animals, avoided vaccination of their herds.

Domestic livestock marketing was affected by the foot-and-mouth disease quarantines that restricted movement of cattle to markets. As a result, imports of live sheep were authorized in order to control prices.

Government farming companies—which import sheep exclusively for slaughter—imported 35,600 sheep during the first 8 months of 1977, mostly from Spain (almost 26,000 head) and Ireland (about 9,650). These takings were followed by the import of about 9,000 sheep from Uruguay. But more sheep imports were expected as 45,000 extra rams were needed for the national "sheep festival" in November plus another 100,000

trade to be comparable in quality and flavor with U.S. and Rhodesian tobaccos. Efforts are being made to establish a market for Karnataka FCV tobacco in West Germany.

Attention also is being given to developing burley production, which now is grown only on a limited scale in Andhra Pradesh. Trial cultivation of burley has been undertaken in Tamil Nadu and Karnataka. One inhibiting factor, however, is that burley fetches only 45-57 U.S. cents per kilogram—about half the price obtained by FCV tobacco.

The Tobacco Board, which has completed registration (compulsory under the Tobacco Act of 1975) of most of the country's FCV producers, plans to start grading tobacco at the farm level and to conduct auctions, starting with the 1978 marketing season.

Informal grading at the farm level is to be replaced by eight official grades for transactions between growers and dealers. These grades were to have become effective January 1, 1977, but were not put into effect at that time because of administrative and technical problems.

The Board does not allow export of leaf tobacco on consignment unless the buyer has opened a 100 percent letter of credit. This requirement results in prompt receipt of foreign exchange for the country and enables the exporter to make quick payment to the grower.

The Board insists that exporters produce documentary evidence of payments to growers. Until early 1977, payments by some companies were made in installments, resulting in large outstanding obligations. □

head of sheep for normal consumption.

Also during the first 8 months of last year, Morocco imported almost 2,600 metric tons of beef, mainly from other African countries but with some coming from France and Argentina. However, an apparent reluctance to buy Argentine beef may reflect the fear of reintroducing foot-and-mouth disease. Beef imports from Argentina dropped to only 33 tons, compared with 460 tons in 1976.

Morocco's only meat exports during January-August 1977 were live horses (119 head), horse meat (984 tons), and beef (39 tons). Prices for exported horse meat are rising steadily and all of Morocco's exports are going to France.

Currently, the Government is instituting a meat program, along the lines of the dairy program now being implemented. The meat program involves range improvement and setting up 14 ranch projects. Five of these ranches reportedly are already operating in Larache, Fes, Settat, Ben Slimane, and Khemisset, with only the one at Khemisset being trouble-free from the start. The rangeland improvement programs are being conducted on an experimental basis in a few selected areas. In addition, regional feedlot "complexes" are designed to supply live animals to modern slaughterhouses and meat canneries.

On the other hand, the Government is discouraging goat breeding by increasing taxes on goat ownership. As a result, the country's 1975 goat numbers had declined more than 1 million from the 1971 total of about 8 million head, and the downtrend is probably not finished. □

Germany's Oilseed Imports At Record High in 1976/77

West Germany's oilseed imports during 1976/77 (October-September) reached a record 4,587,000 metric tons, up slightly from 4,531,000 tons in the previous year.

Soybeans—of which 78 percent were of U.S. origin—accounted for 71 percent of the total. Reduced imports of soybeans and copra were offset by substantially larger purchases of rapeseed, sunflowerseed, and flaxseed.

The U.S. share of German imports of soybeans during the past 3 marketing years rose steadily from 64 percent to 76 percent to the 1976/77 record. During the same period, Brazil's share fell from 35 percent to 21 percent and 13 percent.

In 1976/77, West Germany substituted relatively cheaper rapeseed meal, corn gluten feed, and corn germ meal for soybean meal. Use of soybean oil in chemicals and feed also was reduced during this period.

However, the competitive position of soybean products in West Germany has improved. A moderate increase in pork and dairy production is expected to result in growing total feed requirements in the 1978 marketing year.

Use of tapioca, primarily in swine and cattle compounds, is expected to continue at the present high level.

On the other hand, ample supplies of hay and silage will affect the demand for high-oilseed-content dairy supplements.

Considering all factors, soybean meal feeding is forecast to rise from 2.8 million to 3 million tons, and soybean imports from 3.26 million to 3.5 million tons.

Faced with only a moderate expansion in livestock production, changes in use of soybean meal and other protein feeds are determined largely by price relationships.

During the past several years, soybean, coconut, palm, and sunflower oil accounted for about 80 percent of total oil consumption. Although there has been a considerable substitution between palm oil and soybean oil, the amount of sunflowerseed oil has remained relatively stable even at times of high prices, reflecting constant demand for identified sunflowerseed margarine and cooking oil.

The 1976/77 soybean oil balance shows a substantial reduction in output and a further increase in exports. The lower consumption of soybean oil occurred in the industrial sector.

Although West Germans continue to eat more margarine and less butter, fears that "butter is drowning in a flood of oil" have not been confirmed.

Butter consumption continued to fall from 5.5 kilograms per capita in 1975/76 to 5.3 kilograms in 1976/77, while salad and cooking oil consumption rose from 4.8 kilograms to 5.2 kilograms.

During the same period, margarine consumption was up from 6.8 kilograms per capita to 7 kilograms. □

Brazil Cuts Corn Exports To Meet Domestic Needs

By Leon G. Mears

Brazil's sharply rising demand for animal products will have major impact on that country's future exports of corn. Increasing affluence is giving a big boost to the Brazilian livestock and poultry industries, and larger supplies of corn will be needed to meet this expanded demand. Brazil's corn exports have averaged more than 1 million tons a year for the past 4 marketing years.

Brazil's corn export expansion policy, aimed at establishing that country as a large, reliable supplier of corn to world markets, is under review and may be modified for the next few years.

Sharply higher domestic corn consumption resulting from continued rapid expansion of the livestock and poultry industries plus an expected 1-million-ton decline of nearly 1.5 million tons in the 1978 corn crop (to be harvested in March-May) are basic factors prompting the review.

Brazil's corn exports have averaged well above 1 million tons a year for the past 4 marketing years, but 1978/79 (April-March) shipments are expected to drop to around 100,000 tons and some industry representatives forecast an even lower export level.

A major challenge facing Brazilian agriculture is the rapidly expanding domestic demand for livestock and poultry products.

Larger supplies of corn are needed to meet this demand. Rapid per capita income growth, migration from rural to urban areas, and changing dietary patterns and preferences have contributed to the spectacular increase in consumption of meat, milk, and eggs that has taken place in Brazil in the past decade.

Either large annual gains in corn production or imports will be necessary in the years ahead to produce the animal products demanded by the increasingly affluent and rapidly growing Brazilian population.

It is not likely that the Government will authorize large imports of animal products for the domestic market in view of the continuing balance-of-payments problem in Brazil.

In terms of area planted to corn, Brazil and the People's Republic of China (PRC) vie for second place in the world each year—after the United States, by far the leader.

In terms of production, Brazil is a distant third, well behind the PRC because of lower yields.

Corn accounts for about one-fourth of total crop area and is the most widely planted crop in Brazil.

Production has increased from about 10 million tons in the early 1960's to about 18 million tons in recent years.

Average yields for all of Brazil currently are around 1,600 kilograms per hectare (25 bushels per acre), but in the major commercial production areas of southern Brazil the average is closer to 2,500 kilograms and the more efficient farmers obtain 3,500-4,500 kilograms per hectare. Yields generally have been trending upward.

Paraná, with an annual production of more than 4 million tons, is the largest producing State. Other important States are São Paulo, Minas Gerais, Santa Catarina, Rio Grande do Sul, and Goias.

Corn is a traditional crop in Brazil, and most of it is grown on smaller farms on poorer, hilly land with limited mechanization, fertilizer, or other modern production techniques.

The situation is beginning to change, however. An increasing proportion of Brazil's corn is being grown on larger, commercially oriented farms, where modern techniques—including hybrid seed, fertilization, and mechanized harvesters are employed.

Well over half of Brazil's total corn production is still fed directly on farms, but the share going to the fast-growing mixed-feed industry is increasing rapidly.

In 1977 about 5.7 million tons of corn were used in the manufacture of poultry, swine, and dairy cattle feed. Little grain is fed to beef cattle in Brazil.

Mixed-feed production in Brazil has grown side by side with the poultry industry. Commercial broiler and egg producers consume about 70 percent of the country's mixed-feed output, which is estimated at about 9.5 million tons for 1977.

Mixed-feed production in Brazil has been expanding at about 1 million tons per year since 1973, reflecting the spectacular growth of broiler and egg production in recent years.

Commercial broiler output began in the late 1950's and by 1965 had reached about 45,000-50,000 metric tons per year. The broiler industry hit the take-off point about 1970 and expanded rapidly thereafter, reaching about 632,000 tons in 1977. The upward trend is expected to continue.

Feed usage by pork producers also is on the upswing, and currently accounts for about 15 percent of total mixed-feed consumption.

Large quantities of corn also are fed directly to hogs, particularly on the growing number of commercial operations in southern Brazil.

In sharp contrast with broiler production, pork output increased slowly during 1970-75, but is now beginning to pick up.

In 1976 the Ministry of Agriculture initiated a program aimed at improving pork production and marketing systems in southern Brazil. The program will provide technical assistance to producers, finance hog slaughtering plants, and establish new systems to support domestic and export marketing of pork and pork products. Usage of corn for pork production almost certainly will expand sharply.

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The dairy industry has only recently become a significant market for Brazil's corn producers.

Mixed feed usage by dairy farmers is trending up at a swift pace as more producers become convinced of the economic benefits of feeding concentrates to dairy cattle, particularly during the long, annual dry period when forage is in short supply.

About 9-10 percent of total mixed feed production goes to dairy cattle, but this share will likely jump to 14-15 percent within the next 5 years.

Despite average annual milk production gains of 8 percent since 1970, Brazil has had to resort to heavy imports of dairy products in recent years to help supply the domestic market and keep retail prices at reasonable levels. Dried milk imports, for example, in 1977 reached an estimated 55,000 tons.

The Government has launched a number of dairy industry developments aimed at meeting the growing demand. Including are a variety of credit programs at very favorable terms, marketing incentives, artificial insemination programs, and increased technical assistance in feeding and caring for dairy animals.

Brazil's 1978 corn crop (to be harvested March-May) is forecast at about 17.5 million tons, a drop of about 1.5 million tons from the 1977 harvest. Industry observers believe most of this decline will take place in the commercial production areas, particularly in Paraná, the leading production State.

Most of Paraná's output normally goes to mixed-feed plants to supply the expanding poultry industries in São Paulo and Santa Catarina and to export markets.

Production on small subsistence farms, where most of the output is consumed on the farm, is expected to be about the same as in 1977.

According to Government reports, commercial corn producers cut back on corn area largely because prices for other crops—such as soybeans, beans, and cotton—were more favorable.

The Government minimum production price for the 1977/78 corn crop was increased only 23 percent above the 1976/77 level. Brazil's rate of inflation during 1977 was 39 percent.

Corn exports in 1977/78 are expected to total 1.3 million tons, down slightly from 1.5 million tons exported in 1976/77. Early in the year, export forecasts of 2-2.5 million tons were prevalent, but declining world prices resulted in lower shipments.

In mid-1977, the Government authorized a 20 percent subsidy on corn exports to stimulate foreign sales. This subsidy was removed in October because domestic corn prices had been rising as a result of increased competition between exporters and domestic users of corn. Export registrations since the subsidy was removed have been negligible.

Spain and Italy were the largest export markets for Brazilian corn in 1977. Shipments to Spain totaled about 800,000 tons and exports to Italy 140,000 tons. Other significant markets were the Netherlands, Tunisia, the USSR, and West Germany.

Industry representatives do not believe the Government will subsidize corn exports in 1978/79 because of the expected, relatively tight, domestic supply situation.

In the absence of a subsidy, they do not expect exports to exceed 100,000 tons, and some believe shipments will be below that level. The actual size of the 1978 crop, level of domestic usage, and prevailing world prices will all have an impact on export performance in 1978.

Despite the expected production setback in 1978, corn output likely will show substantial year-to-year gains in the future. A number of Government programs have been launched in recent years aimed at developing better varieties of seeds, improving production techniques, and expanding marketing facilities.

An immediate goal is to increase significantly the very low yields on land currently planted to corn. A longer range goal is to expand corn production in the vast cerrados (savanna) area of central Brazil and frontier areas such as Mato Grosso.

Many Government agricultural specialists believe Brazil has a bright long-term future as a large corn exporter.

Others are convinced that it would be better for Brazil to utilize supplies of corn for the domestic livestock and poultry industries and, if supplies are adequate, to expand exports of poultry meat and pork.

The outcome of the corn export review is uncertain. There appears to be a growing recognition of the heavy impact of corn prices on the cost of producing meat, milk, and eggs—all increasingly important in the Brazilian diet.

Some livestock and poultry industry leaders are criticizing the Government policy of subsidizing corn exports while large quantities of animal products are imported to hold down domestic prices. In view of domestic inflationary pressures, many believe Brazil's corn export expansion drive may ease for at least the next few years. □

"Either large annual increases in corn production or imports will be necessary in the years ahead to produce the animal products demanded by the increasingly affluent and rapidly growing Brazilian population."

Higher Prices Pushed 1977 U.S. Farm Exports To Record Value

By Sally B. Byrne

U.S. farm export highlights:

- The value of wheat and feedgrain exports dropped from $10.1 billion to $7.8 billion.
- Soybean and rice export volumes hit record highs in 1977.
- Cotton exports rebounded from the low volumes of 1975 and 1976, despite substantially higher prices in 1977.
- Other exports that increased in volume included tobacco, nonfat dry milk, animal fats, vegetable oils, seeds, and beef.
- Although agricultural imports rose by $2.5 billion, the U.S. agricultural trade surplus remained in excess of $10 billion for the fourth straight year.

The value of U.S. agricultural exports continued to rise in calendar 1977, reaching $23.7 billion.

Higher prices created the gain. Export volume fell from 104 million tons to 99 million.

The export price index averaged well above the 1976 level, although prices dropped after peaking in May.

Except for feedgrains and wheat, exports of most agricultural commodities rose in both volume and value during 1977.

Because of lower prices and reduced volume, the value of wheat and feedgrain exports dropped by $2.3 billion.

The largest export value gains were made by cotton, soybeans, animal fats, vegetable oils, and prepared feeds and fodders.

The export unit value for wheat averaged more than a fifth below that of 1976, and the feedgrain unit value was down more than a tenth.

However, export prices averaged higher in 1977 for most other commodities, including oilseeds and products, cotton, tobacco, rice, cattle hides, and animal fats.

The value of U.S. agricultural imports jumped from $11 billion to $13.45 billion in 1977. Much of the increase was a result of higher prices for tropical products —cocoa, tea, and spices, as well as coffee.

Imports of green and processed coffee were up 49 percent to $4.24 billion in 1977. Imports of meats and vegetable oils declined in volume. U.S. sugar imports increased 27 percent in volume, but the lower import unit value offset that rise.

The U.S. agricultural trade surplus totaled $10.2 billion in 1977, while the overall U.S. trade deficit in that year was $27 billion.

U.S. agricultural exports to developed countries rose 6 percent to $14.6 billion in 1977. Larger values were recorded for shipments to Japan, Western Europe, and Canada.

Exports to developing countries were higher by 8 percent to $7.4 billion in value. Strong growth occurred in exports to the Middle East, Latin America, Africa, and the Far East.

However, shipments to South Asia dropped by almost half. That region is benefiting from good crops and expanded food supplies.

Exports to the centrally planned countries dropped significantly in 1977. The value of shipments to the USSR declined from $1.49 billion to $1.04 billion.

Direct shipments to Eastern Europe fell from $927 million to $604 million. In addition, a significant volume of grains and oilseeds is transshipped through Western Europe to Eastern Europe.

U.S. Grain Shipments

U.S. exports of wheat and wheat products declined 8 percent in volume during 1977 to the lowest level since 1972.

The export unit value averaged $115 per ton, down from $147 per ton in 1976. World wheat harvests and exportable supplies have been large in both 1976/77 and 1977/78.

Japan remained the largest U.S. wheat market during 1977, with shipments totaling 3.32 million metric tons.

Exports to the USSR rebounded to 3.02 million tons. Sharp increases were made in shipments to Iran, Portugal, Mexico, and Taiwan. Exports to Egypt rose 4 percent in volume.

The decline in U.S. wheat exports was concentrated in a few areas of substantial reductions—the European Community (EC), Eastern Europe, South Asia, and Brazil. Exports to Korea fell 5 percent to 1.80 million tons.

Large world coarse-grain crops reduced U.S. feedgrain and product exports in 1977. Although 6 percent below the 1976 level, 1977 exports were the second largest on record. The export unit value dropped from $114 per ton to $101.

Much of the decline in U.S. feedgrain exports was recorded in shipments to the EC, the USSR, Eastern Europe, and Spain. Exports also declined to Canada and Egypt.

U.S. feedgrain exports to Japan rose 17 percent to 10.3 million tons. Exports were sharply higher to Portugal, South Korea, Taiwan, Greece, and Israel.

In 1977, U.S. rice exports rose 11 percent in volume to 2.27 million tons—a new calendar-year high. Iran became the largest market for U.S. rice, taking 477,000 tons (up from 239,000 tons in 1976). Exports rose 241 percent to Nigeria and 466 percent to Saudi Arabia. Shipments to the Soviet Union, Canada, and South Africa also increased significantly.

U.S. rice exports to India, Bangladesh, and South Korea dropped sharply in 1977. Exports to Indonesia fell 36 percent to 250,000 tons. Volume declines were recorded for exports to West Germany, Portugal, and the Netherlands.

Soybean Exports Climb

U.S. exports of soybeans and soybean meal combined topped the 1976 record of 21.5 million tons (soybean basis).

Larger bean exports offset a reduction for soybean meal. The increase demon-

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strates the strength of foreign demand for U.S. soybeans.

U.S. supplies were low following the short 1976 crop, and prices were sharply higher.

The export unit value reached a high of $352 per ton in May, and averaged $271 per ton for the year, compared with $216 in 1976. The meal export unit value was up a fourth.

U.S. soybean exports to the EC were up 4 percent to 7.51 million tons. Exports to Japan were up 11 percent to 3.42 million tons.

Shipments to Spain and Taiwan dipped marginally. Exports to the USSR totaled 565,000 tons, just below 1976's 571,000 tons.

U.S. oilmeal exports to the EC, Eastern Europe, and Spain dropped substantially in 1977. Larger shipments were made to Japan and Canada.

U.S. exports of vegetable oils and waxes increased 30 percent in volume and 42 percent in value in 1977.

Soybean oil exports were up 52 percent in volume and cottonseed oil exports were up 40 percent. Exports of peanut and other oils declined.

Total U.S. fats and oils exports to India rose from 70,000 tons to 252,000 tons in 1977.

Exports to Egypt rose 36 percent to 207,000 tons. Substantial gains occurred in shipments to Latin America, the Netherlands, and Iran.

Sharp reductions were recorded in U.S. vegetable oil exports to Pakistan, Bangladesh, and Japan.

U.S. cotton exports (excluding linters) rebounded in 1977, rising 30 percent above 1976's depressed volume. The unit value averaged $344 per 480-pound bale, up from $306.

South Korea was the largest market for U.S. cotton, with shipments of 933,000 bales, 12 percent above the 1976 level.

Exports to Japan rose 9 percent to 906 million bales. Significant volume increases were recorded for exports to Hong Kong, Taiwan, Indonesia, and Western Europe. Exports to India totaled 137,000 bales, and those to Egypt, 110,000 bales.

Tobacco Exports Exceed $1 Billion for First Time

U.S. exports of unmanufactured tobacco (including bulk smoking tobacco) increased 8 percent in volume in 1977. Value jumped to $1.11 billion, exceeding $1 billion for the first time.

Developing countries provided the expansion in tobacco exports. Shipments to developing countries rose 25 percent to 75,000 tons in 1977. Egypt and Taiwan were two of the fastest growing markets.

Exports to the EC were about unchanged in 1977. The 35 percent reduction in exports to the United Kingdom was offset by larger exports to Denmark, the Netherlands, Italy, and West Germany.

U.S. exports of animals and animal products rose 12 percent in value during 1977. The growth was shared among many products.

Led by a 27 percent volume increase for nonfat dry milk, dairy product exports rose 28 percent in value.

Inedible tallow exports jumped 24 percent in volume to a record 1.31 million tons in 1977. The value increased 34 percent to $504 million. □

U.S. Agricultural Exports: Value by Commodity, Calendar 1974-1977

Commodity	1974	1975	1976	1977	1975/76 Change
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Percent*
Animals and animal products					
Dairy products	76	148	142	176	+24
Fats, oils, and greases	585	360	443	592	+34
Hides and skins, excl. furskins	337	407	518	578	+12
Meats and meat products	301	432	617	610	- 1
Poultry and poultry products	138	158	263	312	+19
Other	339	187	397	399	+ 1
Total animals and products	1,776	1,692	2,380	2,667	+12
Grains and preparations					
Feedgrains and products	4,698	5,283	6,024	4,907	-19
Rice	852	858	629	698	+11
Wheat and major products	4,634	5,353	4,086	2,932	-28
Other	127	126	136	143	+ 5
Total grains and preparations	10,311	11,620	10,875	8,680	-20
Oilseeds and products					
Cottonseed and soybean oil	695	466	368	640	+74
Soybeans	3,537	2,865	3,315	4,393	+33
Protein meal	999	672	899	968	+ 8
Other	478	449	488	629	+29
Total oilseeds and products	5,709	4,452	5,070	6,630	+31
Other products and preparations					
Cotton, excluding linters	1,335	991	1,049	1,529	+46
Tobacco, unmanufactured	886	877	940	1,109	+18
Fruits and preparations	596	699	770	835	+ 8
Nuts and preparations	156	169	198	240	+21
Vegetables and preparations	473	504	674	631	- 6
Feed and fodders	272	313	449	592	+32
Other	485	567	592	758	+28
Total products and preparations	4,203	4,120	4,672	5,694	+22
Total	21,999	21,884	22,997	23,671	+ 3

U.S. Agricultural Exports: Volume by Commodity, Calendar 1974-1977

Commodity	1974	1975	1976	1977	1975/76 Change
	1,000 M.T.	*1,000 M.T.*	*1,000 M.T.*	*1,000 M.T.*	*Percent*
Wheat and products	26,242	32,053	27,772	25,525	- 8
Feedgrains and products	37,472	40,383	51,568	48,490	- 6
Rice	1,725	2,138	2,106	2,181	+ 4
Soybeans	13,940	12,496	15,332	16,196	+ 6
Oilmeal	5,157	3,950	5,043	4,366	-13
Vegetable oils	963	858	1,028	1,337	+30
Cotton, excluding liners	1,171	870	778	1,016	+31
Tobacco	313	263	269	290	+ 8
Total	86,983	93,011	103,835	99,490	- 4

EC's Mediterranean Proposals Point to Higher Import Charges

By Omero Sabatini and Arthur J. Bailey

In anticipation of enlargement of the European Community to include Greece, Spain, and Portugal, the EC Commission has proposed reforms in policies on Mediterranean farm products—mainly horticultural products. These proposed measures could adversely affect trade in a number of fruits and vegetables.

Agricultural proposals now under study by the European Community (EC) for reforming agriculture in its Mediterranean region point to increased difficulties for EC imports of many fresh and processed horticultural products. In addition, some of the proposed measures could increase the competitiveness of EC horticultural products in third-country markets.

The proposals were submitted by the EC Commission to the decisionmaking Council of Ministers at the same time that recommendations were made for the Community's 1978/79 farm prices. Implementation of some of the proposals for Mediterranean agriculture thus is tied to the 1978/79 price decisions, which are generally made each spring. In fact, the Council has begun examining both sets of proposals.

From the standpoint of the Community, the proposed reforms are designed to improve farm incomes in the Mediterranean region and to facilitate the entry into the Community of Greece, Spain, and Portugal.

The EC Mediterranean agricultural region encompasses most of Italy and Southeastern France. Inclusion of an area in this region is determined primarily by the mix of its farm production. For an area to be considered part of the Mediterranean region, at least 40 percent of the value of its agricultural production must consist of one or more of the following commodities: Vegetables, citrus fruits, deciduous fruit excluding apples, tobacco, wine, olive oil, flowers, Durum wheat, and mutton and lamb.

For the Mediterranean region as a whole, more than two-thirds of the income is derived from wine, olive oil, deciduous and citrus fruits, and vegetables, with fruits and vegetables accounting for the largest share.

The problems of Mediterranean farmers are caused primarily by inadequate farm and marketing structures. The region is characterized by a lower than average farm size and farm income and a higher than average man/land ratio.

The Mezzogiorno in Italy and the French Languedoc Province are the most depressed areas in the region. They have the lowest farm incomes, the least crop diversification, and the highest man/land ratio in the entire Community. Farmers in the Languedoc are dependent on a single product, wine, for over half of their income.

A large share of agricultural production in the prospective new members of the Community consists of horticultural crops and thus competes with production from the Mediterranean area of the present EC members.

While the proposals for Mediterranean agriculture aim at increasing farm incomes, they also seek to keep EC Mediterranean farmers competitive with those of Greece, Spain, and Portugal while avoiding surpluses and higher expenditures for price support and surplus disposal.

The Commission is proposing that income and competitiveness of Mediterranean farmers be improved by enhancing farm and marketing efficiency and by giving horticultural products increased preference within EC markets.

Although the EC has agreed in principle to the membership of Greece, Spain, and Portugal, disagreements remain in the agricultural sector.

The United Kingdom, which has consistently resisted initiatives that could result in higher food prices, wants to make certain that aid to the Mediterranean region does not result in higher consumer costs at home. West Germany, the largest contributor to EC farm support programs, fears that enlargement will result in a bloc of EC Mediterranean interests that could force up Bonn's financing obligations. The German position reflects the fact that new members at first will be net recipients of aids similar to those granted to existing Mediterranean members.

France and Italy fear that enlargement will mean direct competition from the prospective new members in the fruit and vegetable, olive oil, and wine sectors.

Compared to the Community's Mediterranean areas, Spain is a more efficient citrus grower; Portugal has a more developed tomato processing industry; and Greece produces a wider variety of farm products. These countries presently export most of their horticultural production to the EC under reduced-tariff arrangements, with Greek fresh and processed fruits and vegetables entering duty free.

These preferences—together with those granted to other Mediterranean nations—increase the competitiveness of non-EC Mediterranean countries vis-a-vis non-Mediterranean third countries. But Community farmers are protected by a variety of other devices, such as minimum import prices and subsidies for intra-EC trade.

The Commission has attempted to reconcile the competing concerns by suggesting that present Mediterranean farmers be helped to consolidate and expand their market shares prior to enlargement.

The Commission's proposals cover five broad product areas—olive oil, wine, fresh fruits and vegetables, processed fruits and vegetables, and feedstuffs.

The proposed reforms for fresh and processed fruits and vegetables could have the greatest impact on trade with other countries, including the United States.

The present EC import

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system for fresh fruits and vegetables includes import duties and "compensatory" taxes. Compensatory taxes may be imposed in addition to the import duty and levied on specified products that are subject to a minimum import price, or reference price. For products subject to the reference price—including oranges during December 1-May 31, and lemons, apples, pears, and table grapes during various other times of the year—the EC computes a so-called entry price, on a country-by-country basis.

When the entry price of an imported product from a particular country falls below the reference price by a specified amount for 2 consecutive market days, a compensatory tax equal to the difference between the two prices is applied.

The reference price is now generally based on the arithmetic mean of EC producer prices over the previous 3 years and is determined by taking into account developments in the domestic intervention prices and in the so-called basic price. (The basic price is set by the EC and used to determine the level at which support measures are taken.)

The Commission proposes that, beginning with the 1978/79 marketing year, reference prices would no longer be based on intervention and basic prices, and that consideration be given to trends in EC production costs. Presumably, this will mean higher reference prices, increased protection against EC imports, and less downward pressures on domestic prices.

Until now, U.S. products have generally entered the EC above the reference price, since they are relatively high priced. However, higher reference prices would increase the likelihood of U.S. products being subjected to the compensatory tax.

For products whose tariff rates are bound in the General Agreement on Tariffs and Trade (GATT), which include apples and pears, the import duty plus tax should not exceed the bound rate. But Community preference for tomatoes, table grapes, and peaches would be increased further if the Commission's plan for changing the methods of calculating their entry prices is adopted.

Regarding tomatoes, peaches, and table grapes, the Commission proposes that prices of Community products also be taken into account for calculating the entry price where, for a given product and a given origin, EC prices are lower than those for the import. The entry price in such cases would be calculated as the average of the import price and the price of the EC product, with EC and import prices determined in accordance with detailed rules. At present, prices of Community products are taken into account in calculating the entry price only when imports represent important quantities, and the quantities marketed on the representative import markets are not significant relative to total imports.

The new method of calculation would result in generally lower entry prices for the three products involved. Since the proposed changes in the method of calculating all reference prices would generally raise them, the gap between the entry price and reference price would tend to be even wider for tomatoes, peaches, and table grapes. Thus, there would be a greater probability that these products would either become subject to the compensatory tax or have to pay a higher one.

In the processing sector, the Commission proposes subsidies on the production of processed peaches, apricots, dried prunes, canned and peeled tomatoes, and tomato concentrates. The subsidies would be paid for 5 years to processors who contract with Community growers for the purchase of fresh produce at minimum prices. The subsidy would be enough to enable products processed in the EC to compete with imports.

The Commission also has recommended that the minimum import price system for tomato concentrates be eliminated starting July 1, 1978. However, other restrictive rules for the importation of processed fruits and vegetables—including the import licensing and surety deposit requirements for canned peaches and dried prunes—would remain.

A GATT panel is currently examining a U.S. formal complaint that the EC import system for processed fruits and vegetables impairs U.S. rights under the GATT.

The proposed and existing subsidies could lower processing costs enough to reduce the export subsidies needed to maintain competitiveness of EC products in foreign markets. However, the primary effect of the subsidies will be to reduce

EC Announces Advance Fixing Of Monetary Compensatory Amounts

European Community Commission Regulation No. 243/78 provides for the advance fixing of monetary compensatory amounts (MCA's) in trade with nonmember countries, effective April 3. (In trade with third countries, MCA's are deducted from import levies in weak-currency EC countries—Italy, the United Kingdom, Ireland, and France—and added to the levies in strong currency countries—West Germany, Belgium, Luxembourg, and the Netherlands. (MCA's do not apply to Denmark.)

Advance fixing would apply not only to the MCA's as fixed in national currencies by EC regulations, but also to the so-called monetary coefficient and to the green, or representative, rates. All three of these elements are used in determining the actual levy or subsidy applied to trade with third countries. Advance fixing of MCA's has been pushed primarily by the French.

The regulation provides for the advance fixing of MCA's only where application is also made for the advance fixing of the import levy or export subsidy. The period of validity in general will be the same as the period of validity for the "certificate of advance fixing" of the levy or subsidy. However, MCA's cannot be fixed in advance for a period of more than 6 months.

The regulation also provides for the possibility of adjusting MCA's fixed in advance at the time a new green rate comes into effect, or where import levies or export subsidies are adjusted as a result of a change in EC prices. Advance fixing of MCA's may be suspended where monetary or market difficulties result from its application.

This advanced fixing will affect primarily the trade of EC countries with weak currencies. The MCA's applicable to these countries now are subject to change as often as weekly, whereas those for the remaining countries except Denmark are fixed for the entire marketing year. □

the competitiveness of imports in EC markets.

In the longer run, some harm to U.S. commercial interests also could result from adoption of the Commission's proposals for substituting domestically grown field beans and peas (not including chick peas) for imported protein feed.

The Commission proposes a system of aid to encourage manufacturers of animal feed to enter into purchase agreements with growers of field beans and peas. The growers would receive a guaranteed minimum price, and manufacturers would receive a subsidy for using EC-grown field beans and peas in their feed formulas.

The manufacturers' aid would correspond to 45 percent of the difference between the world market price of soybean meal and a newly proposed activating price. If the world market price of soybean meal fell below the EC-determined activating price, the subsidy would be paid. The draft regulation for the subsidy also leaves open the possibility of imposing a security deposit requirement on imports of peas and field beans. The duty the EC levies on these products is bound under the GATT.

The Commission estimates that subsidies would have to be paid on 100,000 metric tons of peas and field beans in 1978/79. This would likely be the level of substitution for that year, but the estimate seems somewhat optimistic, in view of current plantings and production. The amount could increase in subsequent years, since the Commission also proposes progressive reductions in plantings of surplus crops and area diversions to peas and field beans. (In fiscal 1977, the United States exported 2.3 million tons of soybean meal to the Community and 6.9 million tons of soybeans.)

The proposals for olive oil are designed in part to increase consumption, primarily by allowing the market price of olive oil to become better alined with prices of competitive vegetable oils.

Subsidies would be granted to refiners. Simultaneously, growers would receive direct subsidies for improving product quality, limiting surpluses, and establishing marketing organizations.

Protection for the wine sector would be strengthened by improving product quality and better organizing Community markets. Among the suggested measures are replanting vineyards with more marketable varieties, concentrating production in the most suitable geographical areas, and reducing surpluses by converting some vineyards to grain and fodder production.

Finally, the Commission proposes measures to: (1) Facilitate formation and operation of producer groups; (2) improve supply of water and electricity to the farms in the Mediterranean region; and (3) improve rural roads.

According to the proposed plan, financial aid will be provided for 7 years to producer organizations established during the 5 years beginning October 1977. Producer organizations play major roles, since there are no national price-support agencies for most Mediterranean-type products. Community price support for these products is now generally limited to reimbursing producer cooperatives for withdrawing surpluses from the market. However, only a fraction of the produce is now handled by the cooperatives.

EC expenditures for all programs proposed for the Mediterranean area would total approximately $1.4 billion, at current rates of exchange. □

IFAD—New UN Agency—Joins Effort To End World Food Shortage

By Martin Kriesberg

A new United Nations agency—the International Fund for Agricultural Development (IFAD)—has joined the global campaign against persistent food shortages and malnutrition in developing countries.

IFAD, which was proposed by a UN food conference in Rome during November 1974, has now reached the funding level, against pledges of about $1 billion, required to begin operations.

Officers have been elected, and the first meeting of the Governing Council was held in Rome December 13, 1977.

Membership in IFAD is open to all states that are members of the United Nations or any of its specialized agencies.

IFAD, however, is more than merely another international agency opposed to hunger. It is also an expression of growing world influence by the Organization of Petroleum Exporting Countries (OPEC) and of the demand among developing countries for a larger voice in decisions and institutions affecting their economic well-being.

Significantly, Abdelmuhsin Al-Sudeary of Saudi Arabia has been elected IFAD's first president, and nationals of the United States, Iran, and Pakistan have been designated for other principal posts.

Kenya's Minister of Agriculture was elected chairman of the first meeting of the Governing Council, which meets annually to set IFAD policies.

OPEC countries are contributing nearly half the sum pledged to IFAD—about $437 million out of a total $1 billion.

The United States has contributed $200 million, and other countries—primarily such traditional donors as Japan, Canada, and West European countries—made up the difference.

Developing countries—possible recipients of IFAD aid—themselves contributed about $20 million.

Each of these three groups has equal voting strength in IFAD's two governing bodies—the Governing Council and the Board of Directors. But country voting power is weighted, in part, by the amount each contributes to the Fund; hence the U.S. and the principal OPEC governments

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have considerable influence in IFAD's operations. The U.S. contribution to IFAD is part of AID's budget, the Administrator of AID serves as the U.S. Governor to the Governing Council and a senior AID official represents the U.S. Government on the Board of Directors.

IFAD differs in several important ways from other international financing institutions.

IFAD's articles of agreement, which provide the organization's constitutional underpinning, specifically direct IFAD to give priority to poor, food-deficit countries and to focus its efforts on improving levels of nutrition and living conditions for small farmers and rural poor in all developing countries.

All IFAD resources will be directed to food and agriculture problems and ways to overcome them. Most IFAD loans will be on highly concessional terms.

In its articles of agreement, IFAD objectives are stated as: ". . . The fund shall provide financing primarily for projects and programs specifically designed to introduce, expand, or improve food production systems and to strengthen related policies and institutions within the framework of national priorities and shortages, taking into consideration the need to increase food production in the poorest food deficit countries, the potential for increasing food production in other developing countries; and the importance of improving the nutritional level of the poorest populations in developing countries and the conditions of their lives."

IFAD is to remain a small organization by using existing international institutions to carry out most of its work. Agreements have been reached that specify cooperative working relations between IFAD and the principal international organizations that provide assistance for food and agricultural developments—the UN Food and Agriculture Organization, the World Bank, the regional development banks, and the UN Development Program.

These organizations will be asked by IFAD to help identify suitable projects for funding, to critically appraise project proposals submitted to IFAD, and then to monitor selected projects until disbursements have been completed. In order to move more rapidly in the early months of its operations, IFAD probably will seek to co-finance projects together with the World Bank and the regional development banks.

IFAD's offices are situated in Rome, but the site for its permanent headquarters has not yet been decided. Iran, the largest OPEC contributor, has proposed Tehran as IFAD's permanent headquarters. The question is expected to be on the agenda of the next Governing Council meeting in December 1978.

It is estimated that IFAD will fully commit its present resources in 2-3 years, and, if it has proven itself to be an effective agency, donor governments will then consider the question of replenishing its funds.

IFAD will be adding its funds to the growing volume of international resources directed to overcome persistent food shortages and malnutrition in developing countries.

A total of about $4 billion will probably be committed during 1978 to food and agricultural projects by multilateral aid organizations—principally the international development banks. This is almost eight times the amount USAID will likely commit for similar projects the same year.

However, those who had a hand in bringing IFAD into being are not sanguine that availability of funds will, in itself, accomplish the results sought.

In a paper on lending policies and criteria developed for IFAD use and in President Al-Sudeary's first address to the Governing Council, reference was made to the role and responsibilities of recipient countries.

As the IFAD document put it: "The interrelated aims of IFAD—to increase food production, reduce rural poverty, and improve nutrition in developing countries—cannot be achieved unless the countries themselves . . . evolve and implement a development strategy geared to these objectives."

Ironically, the countries most in need are often ones in which the poverty of individuals and of institutional capability to develop and carry out necessary internal programs limit their capacity to absorb external aid.

The availability of additional funds through IFAD may serve as a stimulant to donor institutions and recipient countries to find fresh ways to overcome constraints and put added resources to work effectively. Also, IFAD may establish a precedent and a formula for development financing by OPEC governments—in concert with the traditional donor governments. □

Brazil Imports Dairy Breeds

Because of increased demand for dairy products, the Brazilian Government is encouraging imports of dairy breeding cattle as a step toward greater milk production and less reliance on dairy product imports. During 1977, Brazil imported 1,093 head of U.S. dairy breeding cattle.

Strong demand for dairy products in Brazil has resulted from rapidly growing affluence, migration to cities, and changing dietary patterns of the population.

A 5 percent increase in milk production in 1977 is projected to be repeated in 1978, but this lags behind mounting demand.

Imports of nonfat dry milk (NFDM) in 1977, mostly for reconstitution to fluid, were estimated at triple the year-earlier level and were about 25 percent of the total NFDM supply, which includes domestic output produced from seasonal surpluses. □

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Greek Citrus Crop Larger, Fresh Exports To Drop

Although production of Greek citrus fruit is expected to set a record in 1977/78, exports of fresh citrus are expected to be smaller than those of the previous year. Data covering 1977/78 citrus juice production will not be available until later in the year, but it appears that the 1976/77 pack was larger than that of 1975/76, reversing the downtrend of the past several years. Juice exports were expected to be smaller.

Greece's 1977/78 citrus crop—oranges, lemons, tangerines, citrons, grapefruit, and bitter oranges—is expected to total 815,430 tons, nearly 12 percent greater than the 728,560 tons produced in 1976/77, and 2.5 percent greater than the 1974/75 record of 795,000 tons.

The 1977/78 orange crop is forecast at 530,000 tons, 16.2 percent greater than the previous year's outturn of 499,000 tons. This increase reflects a larger number of orange trees entering full production. Although dry weather reduced the average orange size, it had little effect on quality.

The current lemon crop is forecast at 200,000 tons, nearly 5 percent greater than the revised 1976/77 estimate of 190,000 tons. The varietal makeup of the current and of future crops may vary from those of the past since the Ministry of Agriculture is promoting increased production of the Maglino (a monobearing variety) and the Adamopoulou (a multibearing variety).

The Ministry forecasts the 1977/78 tangerine crop at 30,000 tons, about 11 percent lower than a year earlier because of dry weather during the growing season. By variety, production is expected to consist of 19,200 tons of common tangerines; 2,200 tons of clementines; 750 tons of satsuma; and 7,850 tons of other varieties.

Production of miscellaneous citrus crops during 1977/78 is forecast by the Ministry as follows: Citrons, 2,370 tons; bitter oranges, 1,560 tons; and grapefruit, 1,500 tons.

Orange exports for 1977/78 are forecast by the trade at some 200,000 tons, a drop of more than 10,000 tons from the previous year's. Lemon exports are also forecast lower by the trade—at between 60,000 and 65,000 tons. Behind these drops are the termination of clearing account payment procedures with some East European countries and the subsequent requirement that payment be made in convertible currency. Also, lower citrus prices in Spain and Italy may reduce Communist purchases of Greek citrus.

Tangerine exports in 1977/78 are expected to fall from the 1976/77 level of 4,750 tons because of the short 1977/78 crop.

Orange exports during 1976/77 totaled 210,820 tons, 8,230 tons less than the previous year's exports of 219,050 tons. The decline was caused primarily by a shortage of railcars during December 1976, a time when heavy orange shipments take place to the Soviet Union, East European countries, and the European Community. In 1976/77, Eastern Europe took 65.8 percent of all Greece's orange exports and the Community took 7 percent.

Also during 1976/77, lemon exports totaled 75,920 tons, nearly 20 percent below the 95,420 tons of a year earlier. The European Community took 7.1 percent of the total crop (12.4 percent a year earlier), Eastern Europe and the Soviet Union, 89.6 percent (compared with 83.4 percent a year earlier), and all other importers, 3.3 percent (versus 4.2 percent).

Tangerine exports in 1976/77 totaled 4,750 tons, a rise of 80.7 percent above 1975/76 exports of 2,630 tons. Czechoslovakia and Yugoslavia were the leading markets, sharing nearly 90 percent of Greece's exports. The year before these two countries took nearly 85 percent.

Greece's exports of citrus juice in 1976 totaled 89,260 tons (single strength equivalent). East European countries were the major markets, collectively taking 54,630 tons of orange and lemon juice (up from 47,360 tons a year earlier) and 2,056 tons of grapefruit juice (a rise from the 1,670 tons of the previous year).

The EC took 8,650 tons of Greece's orange and lemon juice exports, about half of what it took a year earlier. Greek exports of grapefruit juice to the EC were only 115 tons, a sharp fall from the 3,060 tons of 1975 and the even higher 5,730 tons of 1974. □

Based on report from Office of U.S. Agricultural Attaché, Athens.